Sky New Zealand
PO Box 9059
Newmarket
Auckland 1149
New Zealand

10 Panorama Road
Mt Wellington
Auckland 1060
New Zealand

T. +64 9 579 9999

sky.co.nz

7 December 2021

Transformation accelerates - Sky raises FY22 guidance following completion of cost review

Following the completion of the first phase of a rigorous cost review and consideration by the Board, Sky New Zealand has today provided significantly improved guidance, lifting the midpoint of previous EBITDA and NPAT forecasts for the FY22 financial year by 27% and 96% respectively.

Highlights

- Operating costs reduction of an additional $35m to be delivered in FY22[1], including $26m of recurring cost reduction and $9m of one-off savings
- Full year impact of recurring annualised cost savings to deliver an additional $40m to $45m p.a.[1]
- As a result, EBITDA guidance increases from $115m-$130m to $150m-$160m and NPAT guidance increases from $17.5m–$27.5m to $40m-$48m[2]
- Additional recurring savings targeted for FY23 and beyond through longer-term transformation initiatives
- Sale of Sky's Mt Wellington properties progressing well but not yet finalised and therefore not included in guidance. An announcement of the terms of sale is expected to be made shortly when negotiations and signature of a definitive agreement are complete
- Cost reset combined with revenue growth to deliver increased levels of free cash flow.

Cost review

As indicated at Sky's recent Annual Shareholder Meeting, management, led by Sky Chief Executive Sophie Moloney, have implemented a rigorous review of every cost and capex line throughout the business, with the objective to deliver additional cost savings beyond the level indicated in the FY22 and 3-year targets previously advised to the market.

Sophie Moloney commented: "I am very pleased to report that the team has identified significant savings as a result of this process. Our firm strategic focus is on growing revenues and reducing operating costs, particularly against the background of the step-up in rights costs to secure the sports and entertainment content that matters to our customers. We've sought to uncover opportunities that are starting to reset Sky's cost base, leveraging the learnings from operating in a Covid-impacted environment as well as challenging the way we operate our business across every area of spend.

"I've been particularly pleased with the significant level of engagement within the business to identify the opportunities available to us to meet our cost-out objectives without impact on our core revenues. The identified cost savings in FY22 are focused on areas of third party spend across the business, including our vendors and contractors, our rights, how we produce and market our content, and our capex profile."

[1] Compared to previous FY 2022 forecasts. In addition to a $5m - $10m target of non-programming operating cost savings advised on 25 August 2021.

Sophie added: “Sky’s enhanced data and analytics capability has also been instrumental in validating initiatives and importantly, to provide confidence that the targeted programme of savings will be delivered without compromising the needs of our customers.”

$m	FY22 savings[1] (recurring)	FY22 one-off savings (incl Covid related)	Total FY22 savings	FY22 savings[1] p.a. (recurring/annualised)
Opex savings	$26	$9	$35	**$40-$45**
Capex saving	$5-$10		$5-$10	
Total savings	$31-$36	$9	**$40-$45**	

“As part of this exercise, we have also identified a number of medium to longer-term transformative initiatives that are expected to deliver further savings in and from FY23. More details will be provided when the savings are fully quantified.”

FY22 one-offs include a number of rebates and cancellations due to Covid-related impacts during the 2021 calendar year.

Property Sale
Negotiations with the preferred party for the sale of Sky’s Mt Wellington properties are progressing well, with most commercial terms broadly agreed. The agreement will include a leaseback of the building known as Studio One. Given negotiations are still ongoing, today’s revised guidance does not include any profit or cash impact arising from this sale process.

Revised Guidance
The current financial year marks a positive inflection point for the business, with guidance provided at Sky’s annual results presentation in August reflecting a return to revenue growth after a number of years of decline. Despite the impact of recent Covid restrictions on Commercial revenues, continued growth in core subscriber revenue has provided confidence that allows Sky to narrow the previous guidance range.

As a result of the improved outlook for revenue, EBITDA, NPAT and capex, Sky’s FY22 guidance, net of any impact from the expected gain on sale of property assets, has been increased to:

$m	Previous guidance	Revised guidance[2]
Revenue	715 – 745	725 - 745
EBITDA	115 – 130	150 - 160
NPAT	17.5 – 27.5	40 – 48
Capex	50 – 60	45 - 50

[2] Based on the Company’s best estimates of the realisable savings which are subject to delivery, and no adverse change in operating conditions, including future economic impacts flowing from Covid-19, or any extraordinary items or accounting changes (e.g. the potential impact of SaaS).

Capital management
Sky will report its first half results on 24 February. As commented by the Chair at the ASM in October, the Board is reviewing the company's capital structure and has now appointed external financial, legal and tax advisers to assist in determining the most appropriate capital management strategy, including the future dividend policy. The outcome of this review will be presented, as previously advised, at the time of the first half results announcement, subject to Board approval and the successful completion of the sale of the Mt Wellington properties.

ENDS

Chief Executive Officer Sophie Moloney and Interim Chief Financial Officer Andrew Hirst will host an investor webcast and call at 10:00am (NZDT) to discuss today's announcement. Details on how to participate are as follows:

To watch the live webcast: https://ccmediaframe.com/?id=1ZsVMI0l

To register for the conference call: https://s1.c-conf.com/diamondpass/10018373-wh3i4k.html
Registered participants will receive their dial in number upon registration. Only those participating via the conference call will be able to ask questions.

A replay of the briefing will be made available on the company's website as soon as practicable after the event at: https://www.sky.co.nz/investor-centre/results-and-reports.

Authorised by James Bishop, Company Secretary

Investor queries to:
James Bishop
Company Secretary
+64 21 630 635
james.bishop@sky.co.nz

Media queries to:
Chris Major
Chief Corporate Affairs Officer
+64 29 917 6127
chris.major@sky.co.nz

Investor Update

7 December 2021

Disclaimer

This presentation has been prepared by Sky Network Television Limited and its group of companies ("the Company") for informational purposes. This disclaimer applies to this document and the verbal or written comments of any person presenting it.

Information in this presentation has been prepared by the Company with due care and attention. However, neither the Company nor any of its directors, employees, shareholders nor any other person give any warranties or representation (express or implied) as the accuracy or completeness of this information. To the maximum extent permitted by law, none of the Company, its directors, employees, shareholders or any other person shall have any liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation contains projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, and uncertainties, including material adverse events, significant one-off expenses and other unforeseeable circumstances. There is no assurance that results contemplated in any of these projections and forward-looking statements will be realised, nor is there any assurance that the expectations, estimates and assumptions underpinning those projections or forward-looking statements are reasonable. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release or to provide you with further information about the Company.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. The presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security and may not be relied upon in connection with the purchase or sale of any security. Nothing in this presentation constitutes legal, financial, tax or other advice.

Our Strategy

WHAT MATTERS MOST:	Our Customers
WHAT DO WE DO:	**We connect New Zealanders with the sport and entertainment they love, in ways that work for them, right across the country**

WHAT WE'RE FOCUSING ON:	**CUSTOMERS**	**CONTENT**	**PEOPLE**	**FINANCIAL**
	Nurture and grow our Sky Box and Streaming customers	Be the preferred partner for rightsholders, content creators and distributors	Be a place where our crew are empowered to do their best work	Grow revenues and reduce operating costs

THE "BEDROCK" OF OUR BUSINESS:	Rapid and sustained execution, and enabling our people to succeed	Being an efficient, adaptive and profitable business

Faster progress and substantial savings

- ✓ Acceleration of transformation – and robust review of Sky's cost base
  - Substantial savings identified for FY22, with immediate boost to EBITDA and NPAT forecasts
  - Upgraded guidance delivers 27% increase in midpoint of previous EBITDA, and 96% increase in NPAT forecast
  - Full year impact of $40m to $45m p.a. of permanent annualised cost savings
  - More permanent savings targeted for FY23 and beyond
- ✓ Cost reset, combined with growth in revenue, will deliver significant levels of free cash flow, helping to inform capital management strategy
- ✓ Property sale progressing well
- ✓ Strong Executive Leadership Team in place to ensure delivery of outcomes

Delivering $40-$45m of additional savings in FY22[1]

Following business-wide initiative to reset the cost base

What we've done

- Transformational reset across all operating and capex cost lines throughout the business
- Non-programming opex review of every cost line, with a particular focus on third party spending
- Focus on Programming cost covering both rights and production, including a strategic 'from the ground up' review of sports production
- Capex roadmap simplified to focus on strategic deliverables
- Wide consultation within the business to capture and test initiatives

What it means

- Delivering additional opex cost savings of $35m (net) in FY22, ($26m recurring and $9m one offs) with an annualised impact of $40m - $45m p.a.
- Expecting capex savings of $5 - $10m in FY22
- Minimal one-off cost associated with achieving savings, estimated to be $0.5m in FY22
- Data and insights testing confirms minimal impact on customer experience or revenue lines
- Targeting further recurring savings to be delivered from FY23 through identified medium to longer-term transformation initiatives

[1] Compared to previous FY22 forecasts that included $5-$10m of targeted opex savings

Resulting in additional recurring savings[1]

With further recurring savings from FY23

Forecast savings

$m	FY22 savings[1] (recurring)	FY22 one-off savings (incl Covid related)	Total FY22 savings	FY22 savings[1] p.a. (recurring/annualised)
Programming costs	$13	$9	$22	
Non-Programming costs	$17		$17	
Variable costs (due to growth)	($4)		($4)	
Total opex savings	**$26**	**$9**	**$35**	**$40-$45**
Capex	$5-$10		$5-$10	
Total savings	**$31-$36**	**$9**	**$40-$45**	

[1] Compared to previous FY22 forecasts (including $5-$10m in opex cost reduction target advised 25 August 2021 at FY21)

Significantly outperforming previous targets

Exceeding 3 year targets in year 1, and with more to come

FY22 targets

	Previous[1]	Revised target
Non-programming opex savings	\$5m- \$10m	\$22m - \$27m[3]
Programming costs[2] to revenue	50% - 55%	46% - 48%
Capex cost to revenue	7% - 8.5%	6% - 7%

Non-programming cost savings - permanent

- Broadcasting and Infrastructure (B&I) savings include vendor rationalisation and streamlined applications net of variable cost increases due to continued customer growth
- Marketing strategy consolidated across the business, creating a more cohesive approach and reducing agency spend. Sales activity retargeted to optimise acquisitions, reduce discounting and lower the cost to acquire

Programming cost savings – permanent

- Strategic reset of sports production coverage against Sky's content strategy and audience opportunity, to align spending with what matters to customers
- Recent content rights wins including HBO and NRL/NZRL see Sky entering a period of lower renewals. Remaining spend to drive incremental growth in customers and revenue

One off savings

- Programming cost savings include negotiated reductions in rights costs and production savings across a number of sports codes due to Covid related cancellations and postponements
- Non-programming cost savings include B&I rebates

[1] Provided 25 August 2021, Sky FY21 Results Presentation (slide 31). [2] Programming costs includes both rights and production costs. [3] Revised target includes original \$5-\$10m FY22 target plus \$17m additional FY22 opex savings

Property Update

Sale of Sky's Mt Wellington properties progressing well

- Negotiations with the preferred party for the sale of Sky's Mt Wellington properties are progressing well
- An announcement of the terms of sale is expected to be made shortly when negotiations and signature of a definitive agreement are complete
- Sky's footprint at the Mt Wellington site will significantly downsize through a long-term leaseback on the building known as Studio One

FY22 Guidance

Cost and revenue performance has driven a significant guidance uplift

$m	FY22 guidance[1]	Revised FY22 guidance[1]
Revenue	715 - 745	725 - 745
EBITDA	115 - 130	150 - 160
NPAT	17.5 – 27.5	40 – 48
Capex	50 - 60	45 - 50

- Revenue guidance midpoint raised following solid growth in core retail subscriber revenues above the level of shorter-term impact from recent Covid restrictions
- Guidance excludes the impact from any expected gain on sale of the Mt Wellington properties
- The Board is reviewing Sky's capital structure and has mandated external financial, legal and tax advisers to assist in determining the most appropriate capital management strategy, including the future dividend policy
- The outcome of this review will be presented, as previously advised, when Sky reports first half results on 24 February 2022, subject to Board approval and the successful completion of the sale of its Mt Wellington properties

[1] Based on the Company's best estimates of the realisable savings which are subject to delivery, and no adverse change in operating conditions, including future economic impacts flowing from Covid-19, or any extraordinary items or accounting changes (e.g. the potential impact of SaaS).

Questions